

111TH CONGRESS
2D SESSION

S. 3716

To amend the Internal Revenue Code of 1986 to provide a tax incentive for the installation and maintenance of mechanical insulation property.

IN THE SENATE OF THE UNITED STATES

AUGUST 5, 2010

Mrs. GILLIBRAND (for herself and Mr. JOHANNES) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to provide a tax incentive for the installation and maintenance of mechanical insulation property.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Mechanical Insulation
5 Installation Incentive Act of 2010”.

6 **SEC. 2. EXPENSING OF MECHANICAL INSULATION PROP-**
7 **ERTY.**

8 (a) IN GENERAL.—Part VI of subchapter B of chap-
9 ter 1 of subtitle A of the Internal Revenue Code of 1986
10 (relating to itemized deductions for individuals and cor-

porations) is amended by inserting after section 179E the following new section:

“SEC. 179F. MECHANICAL INSULATION PROPERTY.

“(a) TREATMENT AS EXPENSES.—In addition to any other deduction in this subtitle, there shall be allowed as a deduction an amount equal to the applicable percentage of the cost of mechanical insulation property placed in service during the taxable year.

“(b) APPLICABLE PERCENTAGE.—For purposes of subsection (a)—

“(1) IN GENERAL.—The term ‘applicable percentage’ means the lesser of—

“(A) 30 percent, and

“(B) the reduction in energy loss (expressed as a percentage) from the installed mechanical insulation property compared to reference mechanical insulation property which meets the minimum requirements of ASHRAE standard 90.1–2007.

“(2) SPECIAL RULE RELATING TO MAINTENANCE.—In the case of mechanical insulation property placed in service as a replacement for insulation property—

“(A) paragraph (1)(B) shall not apply, and

1 “(B) the cost of such property shall be
2 treated as an expense for which a deduction is
3 allowed under section 162 instead of being
4 treated as depreciable for purposes of the de-
5 duction provided by section 167.

6 “(c) DEFINITIONS.—For purposes of this section—

7 “(1) MECHANICAL INSULATION PROPERTY.—

8 The term ‘mechanical insulation property’ means in-
9 sulation materials, facings, and accessory products—

10 “(A) placed in service in connection with a
11 mechanical system which—

12 “(i) is located in the United States,

13 and

14 “(ii) is of a character subject to an al-
15 lowance for depreciation, and

16 “(B) utilized for thermal requirements for
17 mechanical piping and equipment, hot and cold
18 applications, and heating, venting and air con-
19 ditioning applications which can be used in a
20 variety of facilities.

21 “(2) COST.—The cost of mechanical insulation
22 property includes—

23 “(A) the amounts paid or incurred for the
24 installation of such property for that incre-
25 mental portion above the minimums in

1 ASHRAE standard 90.1–2007 and the total in-
 2 sulation cost for maintenance applications,

3 “(B) in the case of removal and disposal of
 4 the old mechanical insulation property, 10 per-
 5 cent of the cost of the new mechanical insula-
 6 tion property (determined without regard to
 7 this subparagraph), and

8 “(C) expenditures for labor costs properly
 9 allocable to the preparation, assembly, and in-
 10 stallation of mechanical insulation property.

11 “(d) COORDINATION.—Subsection (a) shall not apply
 12 to the cost of mechanical insulation property which is
 13 taken into account under section 179D or which, but for
 14 subsection (b) of section 179D, would be taken into ac-
 15 count under such section.

16 “(e) ALLOCATION OF DEDUCTION FOR TAX-EXEMPT
 17 PROPERTY.—In the case of mechanical insulation prop-
 18 erty installed on or in property owned by an entity de-
 19 scribed in paragraph (3) or (4) of section 50(b), the per-
 20 son who is the primary contractor for the installation of
 21 such property shall be treated as the taxpayer that placed
 22 such property in service.

23 “(f) CERTIFICATION.—For purposes of this section,
 24 energy savings shall be certified under regulations or other

1 guidance provided by the Secretary, in consultation with
 2 the Secretary of Energy.

3 “(g) TERMINATION.—This section shall not apply to
 4 any property placed in service after the end of the 5-year
 5 period beginning on the date of the enactment of this sec-
 6 tion.”.

7 (b) DEDUCTION FOR CAPITAL EXPENDITURES.—
 8 Section 263(a)(1) of such Code (relating to capital ex-
 9 penditures) is amended by striking “or” at the end of sub-
 10 paragraph (K), by striking the period at the end of para-
 11 graph (L) and inserting “, or”, and by adding at the end
 12 the following new subparagraph:

13 “(M) expenditures for which a deduction is
 14 allowed under section 179F.”.

15 (c) TECHNICAL AND CLERICAL AMENDMENTS.—

16 (1) Section 312(k)(3)(B) of such Code is
 17 amended by striking “or 179E” each place it ap-
 18 pears in the text or heading thereof and inserting
 19 “179E, or 179F”.

20 (2) Paragraphs (2)(C) and (3)(C) of section
 21 1245(a) of such Code are each amended by inserting
 22 “179F,” after “179E,”.

23 (3) The table of sections for part VI of sub-
 24 chapter B of chapter 1 of subtitle A of such Code

1 is amended by inserting after the item relating to
2 section 179E the following new item:

“Sec. 179F. Mechanical insulation property.”.

3 (d) **EFFECTIVE DATE.**—The amendments made by
4 this section shall apply to property placed in service after
5 the date of enactment of this Act.

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